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MEMORANDUM FOR: Deputy Director (Support)

SUBJECT: Cost of Administering the Agency Insurance Program and the Casualty Affairs Activities.

REFERENCE: Memorandum for DD/S from General Counsel, dated 28 April 1955, subject: Purchase of Office Machines for Use by GEHA.

1. The activities, workloads and security implications involved in the administration of the Agency insurance program and the activities concerned with casualty affairs justify the organization and staffing of an element at division level in the Office of Personnel to perform these functions. Two branch elements are indicated because of the dissimilarity of the insurance and casualty activities.

2. The Insurance Branch should be concerned with the administration of the Agency life and health insurance program, the Income Replacement program, the Nine Dread Diseases coverage, Air Flight Insurance, the Group Hospitalization protection still retained by Agency personnel, and those War Agencies Employee Protective Association policies still in effect in the Agency. This administration includes, in addition to the initial development of the programs and the mechanisms for maintaining secure relations with the Underwriters, the normal day to day activities common to an independent insurance company, e.g., receipt of applications, establishment of adequate records, receipt of premium payments, accounting for cash receipts and disbursements, processing of claims, remittances to Underwriters, etc.

3. The Casualty Affairs Branch should discharge Agency responsibility under specific legislation granting benefits or gratuities to Agency personnel, e.g.,

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- b. Workmens Compensation Act
- c. Federal Employees Group Life Insurance Act
- d. Civil Service Retirement Act

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The functions and operations of the Branch, as related to the above legislation, are not an integral part of the insurance program. Under the foregoing legislation, it is clearly the responsibility of the Agency to service the employee's claims under such direct legislation. This Branch should be staffed with technicians having legal and public relations training and experience because of the complexity of documentation, the need for processing the claims through other agencies for settlement, the security factors involved, and the super-sensitive nature of the relations with next of kin and others concerned in casualty cases. The security protection of the Agency and its personnel increases the complexity of these operations as compared to those in an overt government agency.

4. It is believed that the cost of administering the insurance and casualty affairs programs is an Agency responsibility in its entirety. The statement of the General Counsel, par. 4 of referenced memo, that "However, ---, such costs should be borne by the membership", is a conclusion which merits reconsideration. The following is offered in support of these statements:

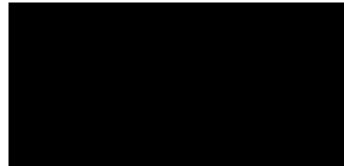
7. a. It is almost universally true in governmental agencies that employees are offered opportunity to join in adequate life, health and hospitalization plans, with the Agency performing, and absorbing the cost of, the necessary enrolling, collecting and remitting of premiums, and the processing of resultant claims. This is actually all that this Agency is now doing - omitting consideration of the added details of administration due to the security measures necessary to protect the Agency. The fact that the coverage offered under the Agency program is, in some respects, better than that offered by other group plans is not particularly relevant to the point in question. The low average age of Agency personnel and the favorable actuarial experience which permits favorable terms should have no bearing on the question.

b. The insurance program for Agency personnel is reputed to have been initiated to serve two major purposes: (1) it was to provide life, health and hospitalization protection to Agency personnel without their having to be associated with private insurance sources, thus assuring a further protection to Agency operations, and (2) it was to be sufficiently attractive to provide an inducement in the recruitment of personnel and to serve as a morale factor in strengthening the appeal of the long term career service concept. Both purposes serve the interests of the Agency more than those of the employee, particularly since similar service in non-sensitive agencies is provided without cost to the policy holder.

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5. In view of the foregoing, it is recommended that the Agency continue to provide the necessary administrative support to its insurance program and its casualty affairs, including the personnel, space and equipment required for an effective and efficient operation.



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Chief, Management Staff

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